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Washington State Department of
Enterprise Services

Joint Report on Jobs Act for K-12 Public Schools and Higher Education Institutions

Supplemental Capital Budget (ESHB 2836, Section 1016, 2010)

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Report to the Legislature

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EXECUTIVE SUMMARY

Overview

The Jobs Act for K-12 Public Schools and Higher Education Institutions (Jobs Act) was established as part of the 2010 Supplemental Capital Budget, [ESHB 2836 Section 1016](#). This budget included an appropriation of \$50 million to the Washington State Department of Commerce (Commerce) for energy cost-savings grants. The program's immediate goal was to stimulate Washington's economy by creating jobs. The Legislature recognized the need to create jobs quickly to alleviate high unemployment in the construction sector. The long-term goal is to reduce the energy costs at the state's public educational facilities.

The legislation directed Commerce to work with the Department of Enterprise Services' Energy Program (DES), the Office of Superintendent of Public Instruction (OSPI), and the Washington State University Extension-Energy Programs (WSU) to develop the program, conduct a competitive grant process, and evaluate applications. Final grant awards are determined by Commerce.

This joint report addresses the timing and use of the grant funds, program administrative function, compliance with apprenticeship utilization requirements in [RCW 39.04.320](#), compliance with prevailing wage requirements, and administration fees.

Highlights

Competitive Contracts Awarded

The Jobs Act program held two competitive solicitation rounds. The deadline for round one was July 26, 2010, and the deadline for the second round was September 20, 2010. A total of 92 applications were submitted. Commerce, DES, and WSU staff reviewed the applications for technical feasibility and expediency.

After the applications were reviewed, they were scored based on criteria enumerated in the legislation (leveraging, energy cost savings, and expediency). Selected applicants then worked with Commerce to negotiate and execute contracts. Seventy-seven contracts totaling \$42,561,459 were executed.

An additional benefit of Jobs Act projects Washington was the sales tax returned to the state's general fund. Construction projects funded through the Jobs Act paid more than \$8 million in sales taxes. These projects also paid a significant amount in local taxes.

Number of Jobs Funded

The primary purpose of the Jobs Act is to create family wage jobs throughout Washington, specifically in the construction industry. As of June 1, 2012, approximately 940 jobs have been created. This figure is based on a ratio of 8.1 jobs per \$1 million in construction costs. The ratio was derived from Jobs Act Quarterly Reports submitted by the grantees for Government Management Accountability and Performance (GMAP) reporting. The program's total construction costs are \$116 million.

Apprenticeships

Seventy-one apprenticeships were created by the Jobs Act. Even projects that were not required to follow the apprenticeship utilization standards nonetheless hired apprentices, which was an unexpected outcome.

Prevailing Wages

Commerce's Jobs Act contracts require all grantee contractors and subcontractors performing work on these projects to comply with prevailing wage laws set forth in [RCW 39.12](#). The grantee must maintain records indicating compliance and these records must be made available if requested by Commerce.

Leverage

Commerce's goal was to have the grant funds constitute 25 percent or less of the total project cost (leverage ratio of 3:1). The program's final leverage ratio was 1.74:1.

Challenges

As with any new program, Commerce encountered and overcame a few unexpected challenges while implementing the Jobs Act. Four major challenges were:

- Grantees were not able to use all of their grant funds for a variety of reasons.
- Grantees were reluctant to proceed with projects that ended after the biennium.
- Energy service companies could not finish investment grade audits in a timely manner.
- Several grantees required contracts be written specifically for them.

USE OF GRANT FUNDS AND EXAMPLES OF PROJECTS

Commerce's Jobs Act funds were used by businesses throughout Washington to hire new employees and to retain staff. Walla Walla Electric, Valley Mechanical Inc., and Hargis Engineers exemplified the difficulties construction businesses faced in the recession and how the Jobs Act assisted them.

John Mauer, Co-owner of Valley Mechanical

"The Jobs Act came at a period when we had very little work and it helped us a lot."

"The Jobs Act was a great deal for us because we were able to hire 12 additional employees for almost 60 days."

Spike Teal, Vice President of Walla Walla Electric

"The state money helped keep people employed, and where there is work there are jobs."

- In 2010, both Valley Mechanical and Walla Walla Electric experienced their leanest year in a combined 63 years of doing business. Valley Mechanical's business was down 50 to 60 percent from its normal workload. To stay in business, they laid off four employees and took money out of the company's reserves. Walla Walla Electric laid off six electricians and also took money out of company's reserves to stay in business.
- The Jobs Act allowed both companies to employ workers on the Walla Walla School District's Pioneer Middle School project, and helped them stay in business to vie for future opportunities as the construction industry slowly recovers.

Brian Haugk, Principal of Hargis Engineers

"The Jobs Act kept six staff members busy for almost a year."

- Hargis Engineers works throughout Washington, as well as internationally, and employs approximately 100 people. About 35 percent of its work involves Washington and Oregon schools and local governments.
- All across Washington, K-12 schools and higher educational institutions have healthier learning environments. The improved K-12 schools and higher educational institutions are saving thousands of dollars in energy, water, and other utility bills.

Lyle Quasim, President of Bates Technical College, explained why the Jobs Act funding was needed:

"If your infrastructure isn't good, you can't create a good learning environment. When the Jobs Act came along we were able to add value to the college. Without the Jobs Act funds we received we wouldn't have had the upfront money to do these projects."

Additional [success stories](#) are available on the Commerce website.

PROGRAM ADMINISTRATION

A team comprised of management and staff from Commerce, DES, OSPI, and WSU designed the Jobs Act program. The team collaborated on developing the grant application, competitive round dates, program guidelines and technical review criteria, and also worked together to resolve challenges. The team met regularly while the program was being developed and as needed after projects were selected and under contract. Commerce staff administers the Jobs Act program. Administrative activities include:

- Answering program questions from applicants, media, legislative staff, and legislators.
- Obtaining project details needed for developing and negotiating contracts.
- Developing and supporting communications, including a Web page, reports, and fact sheets.
- Collecting and compiling data for internal and external reporting and contract monitoring.
- Developing and monitoring interagency agreements with DES and WSU to provide program and technical assistance.
- Collaborating with DES and OSPI staff.
- Testifying at legislative hearings as requested.

Jobs Act Key Requirements

- Award grants in competitive rounds based on demand and capacity.
- Award at least 5 percent of each grant round to small public school districts with fewer than 1,000 full-time equivalent students.
- Award funds to the top 85 percent of projects applying in a round.
- Score applicants based on three criteria (in order of priority): leverage ratio, energy savings, and expediency of expenditure.
- Submit a joint report with DES to the appropriate legislative committees and the Office of Financial Management (OFM) on the timing and use of the grant funds, program administrative function, compliance with apprenticeship utilization requirements in RCW 39.04.320, compliance with prevailing wage requirements, and administration fees by the end of each fiscal year until the funds are fully expended and all savings verification requirements are fulfilled.

Contract Negotiations and Execution

A significant portion of Commerce's administrative responsibilities involved developing and negotiating contracts for public K-12 schools and higher education institutions. Because of the diversity in needs and requirements, the Jobs Act program developed five different contracts. Seventy-seven contracts totaling \$42,561,459 were executed.

Jobs Act Reporting

The Jobs Act legislation requires Commerce to submit a joint report to the appropriate committees of the Legislature and OFM each year by June 30. In addition to this report, the Governor requires agencies to comply with GMAP requirements.

Commerce collects quarterly data on:

- Jobs funded through the program.
- Apprenticeship requirements in RCW 39.04.320.

As of June 1, 2011, approximately 940 jobs were created. This figure is based on a ratio of 8.1 jobs per \$1 million in construction costs. The ratio was derived from Jobs Act Quarterly Reports submitted by the grantees for GMAP reporting. The program's total construction costs are \$116 million. Seventy-one apprenticeships were created by the Jobs Act. It is interesting to note that projects that were not required to follow the Apprenticeship Utilization standards nonetheless hired apprentices.

The legislation also requires Commerce to report on compliance with prevailing wage requirements. Commerce's contracts require all grantee contractors and subcontractors performing work on these projects to comply with prevailing wage laws set forth in RCW 39.12. The grantee must maintain records indicating compliance and these records must be made available if requested by Commerce.

Technical Function

To provide the Jobs Act program with more in-depth energy technical assistance, Commerce developed interagency agreements with the DES and WSU. Both DES and WSU staff also helped create the Jobs Act program and DES created the Energy Savings Performance Contracting Guidelines.

WSU staff conducted the technical review of applications for the two competitive rounds. DES staff provides ongoing technical and project management support. Because 65 percent of selected applicants are using DES to manage their energy-savings projects, DES is involved with every aspect of Jobs Act projects. Commerce uses DES Energy Program staff on a wide range of activities, including review of investment-grade audits, clarifying scope of work, answering questions on funding and utility incentives, and reviewing technical forms and measurement, and verification plans.

Administrative Expenses

Administrative expenses for the Jobs Act fall into two main categories: Commerce costs and interagency agreements with DES and WSU.

The Commerce model for administering capital programs assumes that no general funds will be used for administrative expenses. Commerce used 3 percent (\$1.5 million) of the Jobs Act appropriation to cover startup costs and ongoing administrative expenses. Approximately

\$639,598 of those funds will be spent by June 30, 2012. The remainder will be used by Commerce and DES to assist with ongoing technical support. After Jobs Act grantees have drawn down all contract funds, Commerce and DES will continue project monitoring, including the mandatory measurement and verification process for some projects, for up to 10 years to ensure that energy savings pay for the project.

When the program began, Commerce entered into interagency agreements with DES (\$900,000) and WSU (\$35,000) to provide technical assistance. Of that \$935,000, an estimated \$915,000 will be spent by June 30, 2012. During 2012, Commerce entered into a second interagency agreement with DES (\$30,000) to provide technical assistance on measurement and verification plans.

Application Solicitation

The Jobs Act program held two competitive solicitation rounds. The deadline for round one was July 26, 2010, and the deadline for round two was September 20, 2010. To promote the program, Commerce used a combination of press releases, email announcements, list serve solicitation, web links, and application workshops.

Application Scoring

The legislation directed Commerce to score the applications based on criteria in the following priority order:

- Leverage ratio (non-state to state funds).
- Energy savings.
- Expediency of expenditures.

Non-state fund sources included local, private, debt financing (local or state), federal, and utility incentives or rebates. The program's leverage goal was 3:1 (\$3 of non-state funds to \$1 in state funds). The combined leverage ratio for both rounds was 1.74:1.

Round One

Thirty-seven public K-12 schools and higher education institutions submitted applications for grants and three applications were received for energy audits in the first round. The total amount of grants requested was \$32.2 million. The 37 applications underwent a technical review by WSU staff and Commerce energy experts. Commerce reviewed and scored the applications after receiving the technical review. Twenty-nine projects requesting \$16.8 million were selected for funding. The final contracted grant amount for round one grantees was \$15,314,596.

Round Two

Fifty-five K-12 schools and higher education institutions submitted applications for grants in the second round. Those schools and institutions requested a total of \$45.7 million. Applications underwent a technical review by WSU staff and Commerce energy experts. Commerce reviewed and scored the applications after receiving the technical review. Forty-six projects requesting

\$32.1 million were selected for funding. The final contracted grant amount for round two grantees and one additional grantee (funded with returned funds) was \$27,246,863.

Leverage

Commerce's goal was to have the grant funds constitute 25 percent or less of the total project cost (leverage ratio of 3:1). The program's final leverage ratio was 1.74:1.

Sales Tax Receipts

Another benefit of the Jobs Act projects for Washington was the amount of sales tax returned to the state's general fund. Construction projects funded through the Jobs Act paid more than \$8 million in sales taxes. These projects also paid local taxes.

Returned Funds

Eight grantees returned grant funds to Commerce. The reasons for returning funds varied with each grantee. Some grantees could not secure matching funds, while others either changed the project's scope of work or dropped the project completely. Commerce funded one other project with returned funds. The Legislature directed Commerce to return unspent funds to the bond pool; Commerce has returned \$5,191,000 to the bond pool.

Challenges Encountered

As with any new program, Commerce encountered and overcame a few unexpected challenges while implementing the Jobs Act. Four major challenges encountered were:

- Grantees not being able to use all of their grant funds based on a variety of reasons.
- Grantees were reluctant to proceed with projects that ended after the biennium.
- Energy Service Companies could not finish investment grade audits in a timely manner.
- Several grantees required contracts to be written specifically for them.

As previously mentioned, eight grantees returned grant funds to Commerce. Some grantees were reluctant to proceed with projects after funds were awarded because of concerns about the stability of project funds. Once these funds were re-appropriated by the Legislature, the projects started.

Because the energy service companies were extremely busy with the large volume of work the Jobs Act created, they were not able to complete the investment-grade audits in a timely manner. Grantees were required to have an investment-grade audit done before a contract with Commerce could be completed. All of the projects affected by those delays have either completed construction or are close.

Five different contracts were negotiated with schools and higher educational institutions. Contracts differed because of the diversity in needs and requirements.

DEPARTMENT OF ENTERPRISE SERVICES ENERGY PROGRAM REPORT

The Department of Enterprise Services (DES) partnered with Commerce, OSPI, and WSU to implement the Jobs Act. The \$50 million appropriation was provided for grants to public school districts and higher education institutions for operational cost savings improvements. Related projects are those projects that must be completed in order for the energy efficiency improvements to be effective.

Use of Funding

DES is responsible for working with partner agencies to develop a competitive grant process and to provide technical support to Jobs Act projects that the agency managed. DES is also working closely with Commerce on reviewing measurement and verification (M&V) templates and plans. All of the projects are required to submit M&V plans for either three or 10 years depending on whether or not they used an energy service company (ESCO) or a non-energy service company. Commerce entered into a second interagency agreement with the DES to provide the M&V services.

Technical Support Services

DES is currently managing 44 projects that received grant funds from the Jobs Act. This total includes 20 public school districts (K-12) and 24 institutions of higher education. DES provided projects with the following assistance:

- Identification of potential energy/utility conservation measures and estimated cost savings.
- Assistance in the selection of ESCO consistent with the requirements of RCW 39.35C.
- Negotiation of scope of work and fee for ESCO audit of the facilities.
- Identification of appropriate project funding sources and assistance with obtaining project funding.
- Review and approval of ESCO energy/utility audits and energy services proposals.
- Assistance in negotiating the technical, financial, and legal issues associated with the ESCO's energy services proposal.
- Assistance during the design, construction, and commissioning processes.
- Review and approval of the invoice vouchers for payment.
- Assistance with final project approval.
- Other services as required to complete a successful energy performance contract.

In addition, DES provided the following:

- Development of energy savings performance contracting guidelines.
- Completion of a supplemental section to add additional ESCO's to the DES administration prequalified list.
- Collaboration with Commerce, OSPI, and WSU to establish a competitive process to evaluate applications for public schools and higher education institutions.

- Technical support to Commerce on energy services proposals, and measurement and verification.
- Development of DES's portion of the joint report with Commerce on the grant project activity to the Legislature.

Jobs Act Project Summary

To date, DES is managing 65 percent of the total number of Jobs Act grants for K-12 public schools and higher education institutions that were awarded by Commerce.

APPENDIX A: FINAL CONTRACT GRANT AWARDS AND EXPENDITURES

As of June 4, 2011

Round One

SCHOOL	GRANT AMOUNT	AMOUNT PAID
Bethel Public Schools	\$645,000	\$0
Central Washington University – Getz	100,000	100,000
Central Washington University – Pools	70,000	70,000
Central Washington University – Library & Farrell Hall	30,000	30,000
Colville School District	765,000	765,000
Edmonds Community College	850,000	850,000
Everett School District No. 2 – HS Commercial	85,500	85,500
Everett School District No. 2 – District Wide	71,400	30,345
Everett School District No. 2 – Heatherwood	12,986	12,986
Lake Washington School District	501,580	501,580
North Seattle Community College	273,524	273,524
North Thurston School District	173,000	173,000
Olympic College	130,000	0
Seattle Public Schools – Green Lake Elementary & Ballard High School	749,000	749,000
Seattle Public Schools – six schools boilers	1,030,360	0
Seattle Public Schools – Hawthorne Elementary	457,629	457,629
Seattle Public Schools – Lawton Elementary	496,565	496,565
Seattle Public Schools – eight gyms	45,530	45,530
Seattle Public Schools – Madrona Elementary & Cooper Elementary	565,800	565,800
Seattle Public Schools – Viewlands Elementary	513,300	513,300
South Puget Sound Community College	375,000	0
The Evergreen State College	415,742	415,742
University of Washington – Bothell Campus	745,000	0
University of Washington – Seattle Campus	2,210,000	2,168,407
Washington State University	3,075,180	2,228,004
Wishkah Valley School District No. 117	200,000	0
Yakima School District	715,000	715,000
Total	\$15,302,096	\$11,246,912

Audit Only Grants

SCHOOL	GRANT AMOUNT	AMOUNT PAID
Spokane Public Schools	12,500	12,500
Total	\$ 12,500	\$12,500

Round Two and Reassigned Funds

SCHOOL	GRANT AMOUNT	AMOUNT PAID
Bates Technical College	\$2,125,000	\$1,246,838
Battle Ground School District #119	850,000	850,000
Camas School District 117	68,130	68,130
Clover Park Technical College	800,000	800,000
Columbia Basin College	2,170,784	2,170,784
Edmonds Community College	660,466	660,466
Everett HS – Main	232,000	232,000
Everett HS – Science	195,795	195,795
Everett HS – Voc	191,235	191,235
Everett SD – Heatherwood	328,250	328,250
Everett Community College	162,825	162,825
Grays Harbor College	175,000	175,000
Kahlotus School District	287,408	287,408
Lake Washington School District	1,123,925	830,517
Montesano School District	145,500	145,500
Northshore School District #417	3,181,095	3,181,095
North Thurston School District	197,000	197,000
Orcas Island	900,000	900,000
Peninsula College	264,879	264,879
Puyallup School District	675,000	675,000
Quilcene School District	230,000	0
Renton School District No. 403	595,000	595,000
Ritzville School District	298,813	298,813
Seattle Public Schools – DDC Upgrade (Beacon Hill thru Jane Addams – six projects)	1,832,053	1,076,682
Seattle Public Schools – Columbia Elementary & Wing Luke Elementary	310,171	310,171
Seattle Public Schools – Catherine Blaine K-8	77,457	75,468
Seattle Public Schools – Olympic View Elementary & Bagley Elementary	105,500	105,500
Seattle School District – Meany Middle School	522,183	522,183
Seattle Public Schools – Leschi Elementary	185,500	185,500
Seattle Public Schools – Lowell Elementary	276,000	276,000
Seattle Public Schools – Sand Point Elementary	248,400	248,400
Seattle School District – Rainier Beach High School	21,870	21,870
Seattle Central Community College	2,058,915	2,058,915
Skagit Valley College	302,000	302,000
Sunnyside School District	450,000	450,000
Tumwater School District – New Market Center	180,436	119,170
University of Washington – Tacoma Campus	846,314	846,314
Walla Walla Community College	526,969	0
Walla Walla Public Schools	350,000	350,000
Washington State University (2.9a Info Tech Building)	378,241	378,241
Washington State University (1.23 In-Vessel Compost)	1,034,020	0
Washtucna School District	1,450,000	1,450,000
Wenatchee Valley College	320,000	0
Whatcom Community College	227,525	227,525
Total	\$27,246,863	\$23,460,474